

**MARKET CONDUCT EXAMINATION REPORT**  
**AS OF JUNE 30, 2004**

**Equitable Life & Casualty Insurance Company**  
**3 Triad Center**  
**Salt Lake City, UT 84180-1200**

**NAIC Company Code: 62952**  
**Colorado Company No: 120**

**EXAMINATION PERFORMED**  
**for the**  
**STATE OF COLORADO**  
**DEPARTMENT OF REGULATORY AGENCIES**  
**DIVISION OF INSURANCE**

**Equitable Life & Casualty Insurance Company  
3 Triad Center  
Salt Lake City, UT 84180-1200**

**MARKET CONDUCT  
EXAMINATION REPORT  
as of  
June 30, 2004**

**Examination Performed by**

**Stephen E. King, CIE  
Jo-Anne G. Fameree, CIE, FLMI, AIRC, ACS**

**Independent Market Conduct Examiners**

May 19, 2005

The Honorable David F. Rivera  
Insurance Commissioner  
State of Colorado  
1560 Broadway, Suite 850  
Denver, Colorado 80202

Commissioner:

A market conduct examination of the Equitable Life & Casualty Insurance Company was conducted in accordance with and pursuant to §§10-1-203 and 10-3-1106, Colorado Revised Statutes. This examination focused on the Company's Long-term Care, Home Care and Medicare supplement insurance business. Examiners completed a review of underwriting, rating, policyholder service, marketing, sales, and claims practices. The Company records were examined at their offices located at 3 Triad Center, Salt Lake City, UT 84180-1200.

The time period covered by the examination was from July 1, 2003 through June 30, 2004.

The results of the examination, herein, are respectfully submitted.

Stephen E. King, CIE

Jo-Anne G. Fameree, CIE, FLMI, AIRC, ACS

**MARKET CONDUCT  
EXAMINATION REPORT  
OF THE  
EQUITABLE LIFE & CASUALTY INSURANCE COMPANY**

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## **COMPANY PROFILE**

Equitable Life & Casualty Insurance Company (“Equitable” or “Company”) is a life, accident and health insurer domiciled in Salt Lake City, Utah. The Company began operations in 1935 and was licensed in Colorado on May 12, 1948.

Equitable is a closely held stock corporation, under a closely held company structure, with ownership now in the third generation of its originator, Dr. Roderick Earl Ross. The Company currently has no affiliates.

## **COMPANY OPERATIONS AND MANAGEMENT**

Equitable is currently licensed and authorized to conduct business in all states, except the following: California, Georgia, Florida, Massachusetts, Minnesota, New Jersey, New York, and Wisconsin. At this time, Equitable does not actively market its products in Alaska, Alabama, Connecticut, Delaware, Hawaii, Maine, Maryland, Michigan, New Hampshire, North Carolina, Pennsylvania, Rhode Island, South Carolina, Washington, Washington, D.C., Vermont, Virginia and West Virginia.

The Company has concentrated on the individual life and health insurance market, notably Medicare supplement and Long-term Care insurance. In addition, the Company markets traditional whole life insurance products to all ages.

The Company’s main focus remains in the senior life and health market, with offerings of current generation LTC products, based on the NAIC Long-Term Care Insurance Model Act and Regulation, including products that meet federal and state standards for favorable income tax treatment.

In 1985, the Company began offering one of the first individual home health care plans, as a limited benefit health product, for post-hospitalization recovery in a home setting, with scheduled benefits based upon severity of illness or condition. A stand-alone LTC home care plan with care coordination and management services, has been offered since 1991. The Company offers Medicare supplement plans under the required standardized format, with all plans available, including the high deductible options. The Company anticipates offering the new plans, as identified in the Medicare Modernization Act for Consumers, beginning in 2006.

Products for critical illness, hospital indemnity, accident only and short stay institutional recovery-care, round out the Company’s health insurance portfolio.

In 2003, the Company’s Medicare supplement business represented a 4.47% \* share of the Colorado Medicare supplement insurance market, with direct premiums totaling \$6,420,000\* its long-term care business represented a 2.50% \* share of the Colorado long-term care insurance market, with direct premiums totaling \$3,162,000 \* and its accident and health business represented a 1.49% \* share of the Colorado accident and health insurance market, with direct premiums totaling \$10,025,000. \*

\* Data as reported by the NAIC and published as the “Combined Market Share Report”.

## **PURPOSE AND SCOPE OF EXAMINATION**

Independent Examiners, contracting with the Colorado Division of Insurance (DOI), in accordance with Colorado Insurance Law, §§ 10-1-201, 10-1-203 and 10-1-204.C.R.S., which allows the Commissioner the discretion and authority to schedule and conduct examinations for the purpose of auditing business practices of insurers, reviewed certain business practices of the Company. The findings in this report, including all work products developed in the production of this report, are the sole property of the Colorado Division of Insurance.

The purpose of the examination was to determine the Company's compliance with Colorado insurance law related to Medicare supplement insurance. Examination information contained in this report should serve only these purposes. The conclusions and findings of this examination are public record. The preceding statements are not intended to limit or restrict the distribution of this report.

Examiners conducted the examination in accordance with procedures developed by the Colorado Division of Insurance, based on model procedures developed by the National Association of Insurance Commissioners. Examiners have relied primarily on records and materials maintained by the Company, generally covering the examination period from July 1, 2003, through June 30, 2004.

The examination included review of the following:

- Company Operations / Management
- Marketing and Sales
- Producers
- Underwriting - Forms / Policyholder Services
- Underwriting - Rating
- Underwriting - Applications
- Underwriting - Cancellations
- Claims

This examination report is a report written by exception. References to any practices, procedures or files, that contained no improprieties, were omitted. Therefore, the majority of the material reviewed may not be addressed in this report. In the course of the examination, Examiners issued the Company Examination Memorandums and Comment Forms to obtain specific information and/or address noted discrepancies. When Examiners issue either form, the Company is required to provide a detailed response, within a specific time frame. Generally, only the Comment Form will cite a specific statute or regulation when a potential non-compliant situation is identified.

An error tolerance level of plus or minus ten dollars (\$10.00) was allowed, in most cases, where monetary values were involved. However, in cases where monetary values were generated by computer or other systemic methodology, a zero (\$0) tolerance level was applied in order to identify possible system errors. Additionally, a zero (\$0) tolerance level was applied in instances where there appeared to be a consistent pattern of deviation from the Company's established policies, procedures, rules and/or guidelines.

When utilizing a sampling technique to select a sample file population for review, a minimum error tolerance level of five percent (5%) was established to determine reportable exceptions. However, if an issue appeared to be systemic or if, as a result of the file selection process, it was not possible to determine an exception percentage, an error tolerance percentage was not utilized. Also, if more than one sample population was reviewed in a particular area of the examination (e.g. timeliness of claims payment), and if one or more of the samples yielded an exception rate of five percent (5%) or more, the results of any other samples with exception percentages less than five percent (5%) were also included.

Examination findings may result in administrative action by the Division of Insurance. During the course of the examination, all unacceptable or non-complying practices of the Company may not have been discovered. However, failure to identify specific Company practices, does not constitute acceptance of such practices. The contents of this report should not be construed to either endorse or discredit any insurance company or product.

**EXAMINERS' METHODOLOGY**

In accordance with §10-1-203, Colorado Revised Statutes, examiners reviewed the Company's business practices to determine compliance with Colorado insurance laws and regulations, as they pertain to Medicare supplement insurance companies, as shown in the following exhibit.

<b>Law/Regulation</b>	<b>Concerning</b>
Section 10-1-108	Duties of Commissioner – reports – publications – fees – disposition of funds - adoption of rules.
Section 10-1-109	Rules and regulations of commissioner
Section 10-1-111	Grounds and procedure for suspension or revocation of certificate or license of entities.
Section 10-1-128(6)(a)	Anti-fraud Plan
Sections 10-2-1001 to 10-2-1101	Managing General Agent Act
Section 10-2-103	Licenses - General Provisions - Definitions
Sections 10-2-401 to 10-2-417	Licenses – Licensing and Appointment of Insurance Producers
Sections 10-2-701 to 10-2-704	Licenses – Business Conduct of Licensees
Section 10-3-105	Certificate of Authority
Section 10-3-109	Reports, statements, assessments, and maintenance of records - publication - penalties for late filing, late payment, or failure to maintain.
Sections 10-3-1101 to 10-3-1104	Unfair Competition – Deceptive Practices
Sections 10-18-101 to 10-18-109	Medicare Supplement Insurance
Sections 10-19-101 to 10-19-115	Long-term Care Insurance Act
Regulation 1-1-7	Market Conduct Record Retention
Regulation 1-1-8	Penalties And Timelines Concerning Division Inquiries And Document Requests
Regulation 1-2-9	Fees Charged by Agents/Brokers
Regulation 2-1-7	Concerning Issuance of a Certificate of Authority
Regulation 4-3-1	Minimum Standards for Medicare Supplement Policies
Regulation 4-4-1	Concerning Requirements for Long-term Care Insurance
Regulation 4-4-2	Implementation of Basic and Standard Long-term Care Insurance Plans
Regulation 4-4-3	Suitability Standards for Long-term Care Insurance Products



### **Company Operations / Management**

Examiners verified the Certificate of Authority and reviewed Company management, administrative controls, as well as record retention practices.

The Company's cooperation during the course of the examination was noted.

### **Marketing and Sales**

Examiners reviewed all twenty (20) marketing and sales pieces used in the State of Colorado during the examination period. Examiners verified that all materials had been submitted to the Colorado Division of Insurance. Additionally, the content of the material was reviewed to ensure compliance with Colorado insurance law and to verify that the Company's products were accurately represented.

### **Producers**

Examiners reviewed producer contracts and commission structures used during the examination period. In addition, commission records were reviewed to ensure that all fifteen (15) health and accident producers, forty one (41) Medicare supplement producers and thirty eight (38) Long-term Care producers, who received commissions or a percentage of premiums, were properly licensed.

### **Underwriting – Forms / Policyholder Services**

Examiners reviewed all forms used during the examination period, as provided by the Company, to ensure the forms were filed and approved by the Colorado Division of Insurance. Additionally, compliance with current Colorado insurance law was verified.

### **New Business Underwriting Practices and Rating**

Examiners randomly selected sample populations of fifty (50) Medicare supplement new business files and fifty (50) Long-term Care new business files, from populations of 303 and 114, respectively. All seven (7) for the Home Care new business files were reviewed. Additionally, Examiners selected a sample population of fifty (50) Medicare supplement renewed business files from a population of 3,431. Forty-eight (48) of the fifty (50) Medicare supplement renewed files were reviewed. (The two files in question were initially issued in Colorado, however, the policyholders have been Kansas and Arizona residents since 1988 and 1999, respectively.)

Each file was reviewed to ensure that required disclosures were provided and fair and consistent underwriting and rating practices were used.

### **Underwriting – Cancellations / Declinations / Rescissions**

Examiners randomly selected sample populations of fifty (50) Medicare supplement (policyholder requested) cancellation files, and fifty (50) Long-term Care (policyholder requested) cancellation files, from populations of 221 and 132, respectively. Additionally, all thirty-one (31) of the Home Care supplement (policyholder requested) cancellation files were reviewed. Examiners reviewed forty-four (44) Long-term Care declined files and two (2) Medicare supplement declined files.

Lastly, one (1) Medicare supplement policy, rescinded during the examination period, was reviewed.

Each file was reviewed to ensure that both fair and consistent underwriting practices were used, timely notifications were given and, when applicable, premium refunds were timely and accurate.

### **Claims**

Examiners randomly selected sample populations of 100 Medicare supplement and fifty (50) Long-term Care paid claims files, from populations of 52,665 and 2577, respectively. Examiners also selected a sample population of 100 Medicare supplement denied claim files and fifty (50) Long-term Care denied files from a population of 37,234 and 308, respectively.

Examiners randomly selected sample populations of fifty (50) Home Care paid claims files from populations of 823. Also, Examiners randomly selected sample populations of fifty (50) Home Care denied claims files from a population of 261.

Examiners evaluated the Company's claims handling guidelines and specific claim file information, to determine timeliness of processing and accuracy of payment.

## EXAMINATION REPORT SUMMARY

The examination resulted in a total of six (6) findings in which the Company did not appear to be in compliance with Colorado insurance law. The following summarizes Examiner findings.

**Company Operations / Management:** In the area of Company Operations and Management, Examiners found two (2) areas of concern. The issues identified are:

- Failure to file the required Annual Report of Policy Forms and Compliance Certificate with the Division.
- Failure to establish Long-term Care suitability standards.

**Marketing and Sales:** In the area of Marketing and Sales, no compliance issues or concerns were identified and thus are not addressed in this report.

**Producers:** In the area of Producers, no compliance issues or concerns were identified and thus are not addressed in this report.

**Underwriting – Forms / Policyholder Services:** In the area of Forms and Policyholder Services, Examiners found four (4) areas of concern. The issues identified are:

- Failure, in some cases, to incorporate the fraud warning language required by Colorado insurance law.
- Failure, in some cases, to use the correct form in properly identifying the Basic Long-term Care Plan for Colorado.
- Failure to incorporate all required elements in the “personal worksheet”.
- Failure to incorporate various mandatory elements in the outline of coverage.

**New Business Underwriting Practices and Rating:** In the area of New Business Underwriting Practices and Rating, no compliance issues or concerns were identified and thus are not addressed in this report.

**Underwriting – Cancellations:** In the area of Cancellation refunds, no compliance issues or concerns were identified and thus are not addressed in this report.

**Claims:** In the area of Claims, no compliance issues or concerns were identified and thus are not addressed in this report.

Results of previous Market Conduct Exams are available on the Colorado Division of Insurance's website at [www.dora.state.co.us/insurance](http://www.dora.state.co.us/insurance) or by contacting the Colorado Division of Insurance.

A copy of the Company's response, if applicable, can be obtained by contacting the Company or the Colorado Division of Insurance.

**MARKET CONDUCT EXAMINATION REPORT**

**FACTUAL FINDINGS**

<p><b><u>Company Operations / Management</u></b></p>
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<b>Issue A1: Failure to file the Annual Report of Policy Forms and Compliance Certificate with the Division.</b>
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Section 10-16-107.2 Filing of health policies, states in part:

(1) All sickness and accident insurers, health maintenance organizations, and nonprofit hospital and health service corporations authorized by the commissioner to conduct business in Colorado shall submit an annual report to the commissioner listing any policy form, endorsement, or rider for any sickness, accident, nonprofit hospital and health service corporation, health maintenance organization, or other health insurance policy, contract, certificate, or other evidence of coverage issued or delivered to any policyholder, certificate holder, enrollee, subscriber, or member in Colorado. Such listing shall be submitted by January 15, 1993, and not later than December 31 of each subsequent year and shall contain a certification by an officer of the organization that each policy form, endorsement, or rider in use complies with Colorado law. The necessary elements of the certification shall be determined by the commissioner.

Regulation 1-1-6, Concerning The Elements of Certification for Accident and Health Forms, Private Passenger Automobile Forms, Commercial Automobile with Individually-Owned Private Passenger Automobile-Type Endorsement Forms, Claims-Made Liability Forms, Preneed Funeral Contracts and Excess Loss Insurance in Conjunction with Self-Insured Employer Benefit Plans under the Federal "Employee Retirement Income Security Act", which is promulgated pursuant to §§ 10-1-109, 10-4-419, 10-4-633, 10-15-105 and 10-16-107.2 and 10-16-119, C.R.S., states in part:

Section 3. Applicability and Scope

This regulation applies to all insurers and other entities authorized to conduct business in Colorado which provide health coverages...

Section 5. Rules

C. Not later than December 31 of each year, each entity providing health care coverages shall file an Annual Report of policy forms including a fully executed certificate of compliance...

Colorado Regulation 4-4-1 Concerning Requirements for Long-term care insurance, promulgated under the authority of §10-1-109(1), 10-3-110(1) and 10-19-113.7, C.R.S., requires in part:

**XIII. FILING REQUIREMENT**

...In all other instances, insurers, non-profits and health maintenance organizations are required to comply with the appropriate Colorado Insurance Laws and Regulations concerning the filing of forms and rates.

It appears that the Company did not file the required Annual Report of Policy Forms and Compliance Certificate with the Division in 2003 or 2004. Therefore, the Company was not in compliance with the requirements of §10-16-107.2 C.R.S and Reg. 1-1-6 and 4-4-1 as outlined above, for all forms used during the examination period.

During the course of the examination, the Company made the required certification filing with the Division of Insurance.

**Recommendation No. 1:**

Within thirty (30) days, the Company should provide documentation demonstrating why it should not be considered in violation of §10-16-107.2 C.R.S and Reg. 1-1-6 and 4-4-1.

<b>Issue A2: Failure to establish Long-term Care suitability standards.</b>
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Colorado Regulation 4-4-3 Suitability Standards for Long-Term Care Insurance Products, specifically Section III. Rules, paragraph A, (in part) provides,

**III. RULES**

“A. Every insurer, carrier, health care service plan or other entity marketing long-term care insurance (the "issuer") shall:

1. Develop and, effective January 1, 1997, use suitability standards to determine whether the purchase or replacement of long-term care insurance is appropriate for the needs of the applicant;
2. Train its producers in the use of its suitability standards; and
3. Maintain a copy of its suitability standards and make them available for inspection upon request by the commissioner.

The Company obtains basic underwriting information from all Long-term Care applicants using Form LTC-SA, titled “Supplemental Application For Other Coverage, Suitability Survey & Coverage Comparison”. Basically, this form is a “vehicle” to obtain basic financial information and replacement comparison information (if applicable), to underwrite the business. However, there was no information provided that showed development and use of suitability standards by the Company.

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**Recommendation No. 2:**

Within thirty (30) days, the Company should provide documentation demonstrating why it should not be considered in violation of Colorado Regulation 4-4-3. In the event the Company is unable to show such proof; the Company should provide evidence to the Division of Insurance that it has taken steps to ensure compliance with the aforementioned regulation.



**UNDERWRITING – FORMS / POLICYHOLDER SERVICES**

<b>Issue E1: Failure, in some cases, to incorporate the fraud warning language required by Colorado insurance law.</b>
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Section 10-1-128(6)(a) C.R.S. Fraudulent insurance acts - immunity for furnishing information relating to suspected insurance fraud - legislative declaration, states:

(6) (a) Each insurance company shall provide on all printed applications for insurance, or on all insurance policies, or on all claim forms provided and required by an insurance company, or required by law, whether printed or electronically transmitted, a statement, in conspicuous nature, permanently affixed to the application, insurance policy, or claim form substantially the same as the following:

**"It is unlawful to knowingly provide false, incomplete, or misleading facts or information to an insurance company for the purpose of defrauding or attempting to defraud the company. Penalties may include imprisonment, fines, denial of insurance, and civil damages. Any insurance company or agent of an insurance company who knowingly provides false, incomplete, or misleading facts or information to a policyholder or claimant for the purpose of defrauding or attempting to defraud the policyholder or claimant with regard to a settlement or award payable from insurance proceeds shall be reported to the Colorado division of insurance within the department of regulatory agencies."**

Upon a complete review of the Company's Home Care, Long-term Care, and Medicare Supplement policies, applications, and claim forms, it did not appear that any of the referenced forms contained a fraud statement in a conspicuous nature, permanently affixed to the form and substantially similar to that outlined in Section 10-1-128(6)(a), C.R.S. Therefore, the Company's forms do not appear to be in compliance with Colorado insurance law.

During the course of the examination, the Company created and implemented Form CO-RTE, which contains the required fraud language and has made the required certification filing, with the Division of Insurance.

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**Recommendation No. 3:**

Within thirty (30) days, the Company should provide documentation demonstrating why it should not be considered in violation of Section 10-1-128 C.R.S.

<b>Issue E2: Failure, in some cases, to use the correct form in properly identifying the Basic Long-term Care Plan for Colorado.</b>
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Repealed and Repromulgated (In Full) Regulation 4-4-2, Implementation of Basic And Standard Long-Term Care Insurance Plans, specifically Section 4, Rules, Paragraph D, provides,

D. The Basic and Standard Long-term Care Plans shall be identified as specified below.

1. Each carrier shall title and market the Basic Long-term Care Plan as follows: "[Carrier name] Basic Long-term Care Insurance Plan for Colorado."
2. Each carrier shall title and market the Standard Long-term Care Plan as follows: "[Carrier name] Standard Long-term Care Insurance Plan for Colorado."

When an applicant declined to purchase the Basic or Standard Long-term Care Plan for Colorado, the applicant signed the Form CO-LTCREF, in some cases, titled "Notice of Refusal To Purchase a Basic Nursing Home/Home Care Long Term Care Insurance Plan of Colorado" and in other cases, titled "Notice Of Refusal To Purchase A Basic Or Standard Long Term Care Insurance Plan In Colorado". Based on the Company's use of the terms "Nursing Home and Home Care", when describing the Plans in the former instance, it appears that the Company was not in compliance with the above regulation. As noted, both forms were identified using the same form number. As a result, it appears that the Company used forms that were not in compliance with Colorado insurance law.

During the course of the examination, the Company issued an agency directive regarding the form revision and use of the proper form.

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**Recommendation No. 4:**

Within thirty (30) days, the Company should provide documentation demonstrating why it should not be considered in violation of Colorado Regulation 4-4-2. In the event the Company is unable to show such proof; the Company should provide evidence demonstrating that the required filings have been made with the Division of Insurance.

<b>Issue E3: Failure to incorporate all required elements in the “personal worksheet”.</b>
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Regulation 4-4-3, Suitability Standards for Long-Term Care Insurance Products, specifically, Section III. Rules, paragraph B. 2, 3, and 4, provides the following,

2. The issuer and, where a producer is involved, the producer shall make reasonable efforts to obtain the information set out in Paragraph (1) above. The efforts shall include presentation to the applicant, at or prior to application, of the "Long-Term Care Insurance Personal Worksheet." The personal worksheet used by the issuer shall contain, at a minimum, the information in the format contained in Appendix A, in not less than twelve (12) point type. The issuer may request the applicant to provide additional information to comply with its suitability standards. A copy of the issuer's personal worksheet shall be maintained on file by the carrier for three (3) years and made available for inspection upon request by the commissioner.

3. Effective January 1, 1997, a completed personal worksheet shall be returned to the issuer prior to the issuer's consideration of the applicant for coverage, except the personal worksheet need not be returned for sales of employer group long-term care insurance to employees and their spouses.

4. The sale or dissemination outside the company or agency by the issuer or producer of information obtained through the personal worksheet in Appendix A is prohibited.

C. The issuer shall use the suitability standards it has developed pursuant to this section in determining whether issuing long-term care insurance coverage to an applicant is appropriate.

D. Effective January 1, 1997, producers shall use the suitability standards developed by the issuer in marketing long-term care insurance.

To obtain financial and policy replacement information from the applicant, the Company has designed Form LTC-SA, titled “Supplemental Application For Other Coverage, Suitability Survey & Coverage Comparison”. The aforementioned regulation prescribes the format and minimum information required on the form, as contained in the personal worksheet example, titled “Long-Term Care Insurance Personal Worksheet”, found in Appendix A. The Company Form LTC-SA, appears to omit various information and deter from the format that is required by the personal worksheet example contained in Appendix A. Additionally, the size of type required on the form is 12 point type. The Company's form appears to contain ten (10) point type. Therefore, it appears the Company's form is not in compliance with the above regulation.

During the course of the examination, the Company implemented the use of Form LTC-SA97 OK, for use in Colorado.

**Recommendation No. 5:**

Within thirty (30) days, the Company should provide documentation demonstrating why it should not be considered in violation of Colorado Regulation 4-4-3. In the event the Company is unable to show such proof; the Company should provide evidence demonstrating that the required filings have been made with the Division of Insurance.

**Issue E4: Failure to incorporate various mandatory elements in the outline of coverage.**

Colorado Amended Regulation 4-4-1, Concerning Requirements for Long-Term Care Insurance, specifically, Section XIV. Standard Format Outline Of Coverage, provides the following,

**XIV. STANDARD FORMAT OUTLINE OF COVERAGE**

This section of the regulation implements, interprets and makes specific, the provisions of § 10-19-112, C.R.S., in prescribing a standard format and the content of an outline of coverage.

- A. The outline of coverage shall be a free-standing document, using no smaller than ten point type.
- B. The outline of coverage shall contain no material of an advertising nature.
- C. Text which is capitalized or underscored in the standard format outline of coverage may be emphasized by other means which provide prominence equivalent to such capitalization or underscoring.
- D. Use of the text and sequence of text of the standard format outline is mandatory, unless otherwise specifically indicated.
- E. Format for outline of coverage is contained in Appendix C.

The Company uses Form OLC-2002 (97), titled “Equicare: Long Term Care Insurance Outline of Coverage – Form 2002. Throughout the Company’s outline of coverage form, the Company has not numbered the various sections of the document, has omitted various text and phrases, has paraphrased various statements and has not maintained the required sequence of the text.

Paragraph D. of the above Section of the regulation requires, “Use of the text and sequence of text of the standard format outline is mandatory...”, as is contained in Appendix C. Therefore, it appears the Company’s outline of coverage form is not in compliance with the above regulation.

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**Recommendation No. 6:**

Within thirty (30) days, the Company should provide documentation demonstrating why it should not be considered in violation of Colorado Regulation 4-4-1. In the event the Company is unable to show such proof; the Company should provide evidence demonstrating that it has corrected the outline of coverage to include all required elements and that the required filing has been made with the Division of Insurance.

**SUMMARY OF ISSUES AND RECOMMENDATIONS**

<b>ISSUES</b>	<b>Rec. No.</b>	<b>Page No.</b>
<b>COMPANY OPERATIONS / MANAGEMENT</b>		
<b>Issue A1:</b> Failure to file the Annual Report of Policy Forms and Compliance Certificate with the Division.	<b>1</b>	<b>15</b>
<b>Issue A2:</b> Failure to establish Long-term Care suitability standards.	<b>2</b>	<b>16</b>
<b>UNDERWRITING – FORMS / POLICYHOLDER SERVICES</b>		
<b>Issue E1:</b> Failure, in some cases, to incorporate the fraud warning language required by Colorado insurance law.	<b>3</b>	<b>18</b>
<b>Issue E2:</b> Failure, in some cases, to use the correct form in properly identifying the Basic Long-term Care Plan for Colorado.	<b>4</b>	<b>19</b>
<b>Issue E3:</b> Failure to incorporate all required elements in the “personal worksheet”.	<b>5</b>	<b>21</b>
<b>Issue E4:</b> Failure to incorporate various mandatory elements in the outline of coverage.	<b>6</b>	<b>22</b>

**Independent Market Conduct Examiners**

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